

childhood development programs such as Early Reading First, as appropriate, to facilitate coordination of programs;

“(3) conducting meetings involving parents, kindergarten or elementary school teachers, and Head Start teachers or, if appropriate, teachers from other early childhood development programs such as Early Reading First, to discuss the developmental and other needs of individual children;

“(4) organizing and participating in joint transition related training of school staff, Head Start staff, Early Reading First staff and, where appropriate, other early childhood staff; and

“(5) linking the educational services provided in such local educational agency with the services provided in local Head Start agencies and Early Reading First programs.

“(c) COORDINATION OF REGULATIONS.—The Secretary shall work with the Secretary of Health and Human Services to coordinate regulations promulgated under this part with regulations promulgated under the Head Start Act.

“Subpart 2—Allocations

“SEC. 1121. GRANTS FOR THE OUTLYING AREAS AND THE SECRETARY OF THE INTERIOR.

“(a) RESERVATION OF FUNDS.—From the amount appropriated for payments to States for any fiscal year under section 1002(a), the Secretary shall reserve a total of 1 percent to provide assistance to—

“(1) the outlying areas in the amount determined in accordance with subsection (b); and

“(2) the Secretary of the Interior in the amount necessary to make payments pursuant to subsection (d).

“(b) ASSISTANCE TO OUTLYING AREAS.—

“(1) FUNDS RESERVED.—From the amount made available for any fiscal year under subsection (a), the Secretary shall award grants to the outlying areas.

“(2) COMPETITIVE GRANTS.—For each of fiscal years 2002 and 2003, the Secretary shall carry out the competition described in paragraph (3), except that the amount reserved to carry out such competition shall not exceed the amount reserved under this section for the freely associated states for fiscal year 1999.

“(3) LIMITATION FOR COMPETITIVE GRANTS.—

“(A) COMPETITIVE GRANTS.—The Secretary shall use funds described in paragraph (2) to award grants, on a competitive basis, to the outlying areas and freely associated States to carry out the purposes of this part.

“(B) AWARD BASIS.—The Secretary shall award grants under subparagraph (A) on a competitive basis, pursuant to the recommendations of the Pacific Region Educational Laboratory in Honolulu, Hawaii.

“(C) ADMINISTRATIVE COSTS.—The Secretary may provide not more than 5 percent of the amount reserved for grants under this paragraph to pay the administrative costs of the Pacific Region Educational Laboratory under subparagraph (B).

“(4) SPECIAL RULE.—The provisions of Public Law 95–134, permitting the consolidation of grants by the outlying areas, shall not apply to funds provided to the freely associated States under this section.

“(c) DEFINITIONS.—For the purposes of subsections (a) and (b)—

“(1) the term ‘freely associated States’ means the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau; and

“(2) the term ‘outlying area’ means the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

“(d) ALLOTMENT TO THE SECRETARY OF THE INTERIOR.—

“(1) IN GENERAL.—The amount allotted for payments to the Secretary of the Interior under subsection (a)(2) for any fiscal year shall be, as determined pursuant to criteria established by

the Secretary, the amount necessary to meet the special educational needs of—

“(A) Indian children on reservations served by elementary and secondary schools for Indian children operated or supported by the Department of the Interior; and

“(B) out-of-State Indian children in elementary and secondary schools in local educational agencies under special contracts with the Department of the Interior.

“(2) PAYMENTS.—From the amount allotted for payments to the Secretary of the Interior under subsection (a)(2), the Secretary of the Interior shall make payments to local educational agencies, upon such terms as the Secretary determines will best carry out the purposes of this part, with respect to out-of-State Indian children described in paragraph (1). The amount of such payment may not exceed, for each such child, the greater of—

“(A) 40 percent of the average per-pupil expenditure in the State in which the agency is located; or

“(B) 48 percent of such expenditure in the United States.

“SEC. 1122. AMOUNTS FOR BASIC GRANTS, CONCENTRATION GRANTS, AND TARGETED GRANTS.

“(a) ALLOCATION FORMULA.—Of the amount appropriated to carry out this part for each of fiscal years 2002 through 2006 (referred to in this subsection as the current fiscal year)—

“(1) an amount equal to the amount appropriated to carry out section 1124 for fiscal year 2001 shall be allocated in accordance with section 1124;

“(2) an amount equal to the amount appropriated to carry out section 1124A for fiscal year 2001 shall be allocated in accordance with section 1124A; and

“(3) an amount equal to 100 percent of the amount, if any, by which the amount appropriated under section 1002(a) for the current fiscal year exceeds the amount appropriated under such section for fiscal year 2001 shall be allocated in accordance with section 1125.

“(b) ADJUSTMENTS WHERE NECESSITATED BY APPROPRIATIONS.—

“(1) IN GENERAL.—If the sums available under this part for any fiscal year are insufficient to pay the full amounts that all local educational agencies in States are eligible to receive under sections 1124, 1124A, and 1125 for such year, the Secretary shall ratably reduce the allocations to such local educational agencies, subject to subsections (c) and (d) of this section.

“(2) ADDITIONAL FUNDS.—If additional funds become available for making payments under sections 1124, 1124A, and 1125 for such fiscal year, allocations that were reduced under paragraph (1) shall be increased on the same basis as they were reduced.

“(c) HOLD-HARMLESS AMOUNTS.—

“(1) AMOUNTS FOR SECTIONS 1124 AND 1125.—For each fiscal year, the amount made available to each local educational agency under each of sections 1124 and 1125 shall be—

“(A) not less than 95 percent of the amount made available in the preceding fiscal year if the number of children counted for grants under section 1124 is not less than 30 percent of the total number of children aged 5 to 17 years, inclusive, in the local educational agency;

“(B) not less than 90 percent of the amount made available in the preceding fiscal year if the percentage described in subparagraph (A) is between 15 percent and 30 percent; and

“(C) not less than 85 percent of the amount made available in the preceding fiscal year if the percentage described in subparagraph (A) is below 15 percent.

“(2) AMOUNT FOR SECTION 1124A.—The amount made available to each local educational agency under section 1124A shall be not less than 85 percent of the amount made available in the preceding fiscal year.

“(3) PAYMENTS.—If sufficient funds are appropriated, the amounts described in paragraph

(2) shall be paid to all local educational agencies that received grants under section 1124A for the preceding fiscal year, regardless of whether the local educational agency meets the minimum eligibility criteria for that fiscal year provided in section 1124A(a)(1)(A) except that a local educational agency that does not meet such minimum eligibility criteria for 4 consecutive years shall no longer be eligible to receive a hold harmless amount referred to in paragraph (2).

“(4) POPULATION DATA.—In any fiscal year for which the Secretary calculates grants on the basis of population data for counties, the Secretary shall apply the hold harmless percentages in paragraphs (1) and (2) to counties, and if the Secretary's allocation for a county is not sufficient to meet the hold-harmless requirements of this subsection for every local educational agency within that county, the State educational agency shall reallocate funds proportionately from all other local educational agencies in the State that are receiving funds in excess of the hold harmless amounts specified in this subsection.

“(d) RATABLE REDUCTIONS.—

“(1) IN GENERAL.—If the sums made available under this part for any fiscal year are insufficient to pay the full amounts that all States are eligible to receive under subsection (c) for such year, the Secretary shall ratably reduce such amounts for such year.

“(2) ADDITIONAL FUNDS.—If additional funds become available for making payments under subsection (c) for such fiscal year, amounts that were reduced under paragraph (1) shall be increased on the same basis as such amounts were reduced.

“(e) DEFINITION.—For the purpose of this section and sections 1124, 1124A, and 1125, the term ‘State’ means each of the 50 States, the District of Columbia, and the Commonwealth of Puerto Rico.

“SEC. 1124. BASIC GRANTS TO LOCAL EDUCATIONAL AGENCIES.

“(a) AMOUNT OF GRANTS.—

“(1) GRANTS FOR LOCAL EDUCATIONAL AGENCIES AND PUERTO RICO.—Except as provided in paragraph (4) and in section 1126, the grant that a local educational agency is eligible to receive under this section for a fiscal year is the amount determined by multiplying—

“(A) the number of children counted under subsection (c); and

“(B) 40 percent of the average per-pupil expenditure in the State, except that the amount determined under this subparagraph shall not be less than 32 percent or more than 48 percent, of the average per-pupil expenditure in the United States.

“(2) CALCULATION OF GRANTS.—

“(A) ALLOCATIONS TO LOCAL EDUCATIONAL AGENCIES.—The Secretary shall calculate grants under this section on the basis of the number of children counted under subsection (c) for local educational agencies, unless the Secretary and the Secretary of Commerce determine that some or all of those data are unreliable or that their use would be otherwise inappropriate, in which case—

“(i) the 2 Secretaries shall publicly disclose the reasons for their determination in detail; and

“(ii) paragraph (3) shall apply.

“(B) ALLOCATIONS TO LARGE AND SMALL LOCAL EDUCATIONAL AGENCIES.—(i) For any fiscal year in which this paragraph applies, the Secretary shall calculate grants under this section for each local educational agency.

“(ii) The amount of a grant under this section for each large local educational agency shall be the amount determined under clause (i).

“(iii) For small local educational agencies, the State educational agency may either—

“(I) distribute grants under this section in amounts determined by the Secretary under clause (i); or

“(II) use an alternative method approved by the Secretary to distribute the portion of the